

# HOUSE BILL 1383

C4  
HB 860/08 – ECM

2lr3286

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By: **Delegate O'Donnell**

Introduced and read first time: February 23, 2012

Assigned to: Rules and Executive Nominations

Re-referred to: Economic Matters, March 5, 2012

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Committee Report: Favorable

House action: Adopted with floor amendments

Read second time: March 28, 2012

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 ~~Property and Casualty~~ **Homeowner's Insurance – Underwriting Based on**  
3 **Geographic Area**

4 FOR the purpose of ~~altering~~ establishing the requirements an insurer must meet  
5 before refusing to issue or renew ~~certain insurance contracts~~ a policy of  
6 homeowner's insurance solely because the insured property or the applicant's or  
7 insured's address is located within a certain geographic area of the State;  
8 requiring an insurer to adopt a certain underwriting standard and file the  
9 underwriting standard with the Maryland Insurance Commissioner for  
10 approval; specifying the contents of a certain filing; establishing that a certain  
11 underwriting standard may not take effect until a certain number of days after  
12 it is filed with the Commissioner; establishing certain exceptions; establishing  
13 certain requirements for a certain underwriting standard; providing that  
14 certain information shall be open to public inspection; authorizing the  
15 Commissioner to disapprove a filing under certain circumstances; requiring the  
16 Commissioner to send certain notice of disapproval of a filing under certain  
17 circumstances; requiring the Commissioner to hold a hearing under certain  
18 circumstances; requiring the Commissioner to give certain notice of the hearing;  
19 providing that certain provisions of law do not apply to certain policies of  
20 homeowner's insurance; and generally relating to underwriting standards for  
21 ~~property and casualty~~ homeowner's insurance.

22 BY repealing and reenacting, with amendments,  
23 Article – Insurance

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Section 19-107  
 2 Annotated Code of Maryland  
 3 (2011 Replacement Volume)

4 BY adding to  
 5 Article – Insurance  
 6 Section 19-214  
 7 Annotated Code of Maryland  
 8 (2011 Replacement Volume)

9 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 10 MARYLAND, That the Laws of Maryland read as follows:

11 **Article – Insurance**

12 19-107.

13 (a) **THIS SECTION DOES NOT APPLY TO A POLICY OF HOMEOWNER'S**  
 14 **INSURANCE THAT IS SUBJECT TO § 19-214 OF THIS TITLE.**

15 (B) An insurer may not refuse to issue or renew a contract of motor vehicle  
 16 insurance, property insurance, or casualty insurance ~~OR EXCLUDE CERTAIN PERILS~~  
 17 solely because the subject of the risk or the applicant's or insured's address is located  
 18 in a certain geographic area of the State unless:

19 (1) ~~At~~ at least 60 days before the refusal, the insurer has filed with the  
 20 Commissioner a written statement designating the geographic area; and

21 (2) the designation has an objective basis and is not arbitrary or  
 22 unreasonable; ~~THE INSURER HAS ADOPTED A WRITTEN UNDERWRITING~~  
 23 ~~STANDARD DESIGNATING THE GEOGRAPHIC AREA;~~

24 ~~(2) THE INSURER HAS FILED THE UNDERWRITING STANDARD FOR~~  
 25 ~~APPROVAL BY THE COMMISSIONER; AND~~

26 ~~(3) THE COMMISSIONER HAS APPROVED THE UNDERWRITING~~  
 27 ~~STANDARD IN WRITING.~~

28 ~~(b) (C) [A statement filed with the Commissioner under this section is a~~  
 29 ~~public record] THE FILING REQUIRED UNDER SUBSECTION (A) OF THIS SECTION~~  
 30 ~~SHALL BE MADE AT LEAST 120 DAYS BEFORE THE INSURER PROPOSES TO~~  
 31 ~~IMPLEMENT THE UNDERWRITING STANDARD IN THE STATE.~~

32 **19-214.**

1           **(A) AN INSURER MAY NOT REFUSE TO ISSUE OR RENEW A POLICY OF**  
2 **HOMEOWNER'S INSURANCE SOLELY BECAUSE THE SUBJECT OF THE RISK OR**  
3 **THE APPLICANT'S OR INSURED'S ADDRESS IS LOCATED IN A CERTAIN**  
4 **GEOGRAPHIC AREA OF THE STATE UNLESS:**

5                   **(1) THE INSURER HAS ADOPTED A WRITTEN UNDERWRITING**  
6 **STANDARD DESIGNATING THE GEOGRAPHIC AREA;**

7                   **(2) THE INSURER HAS FILED THE UNDERWRITING STANDARD FOR**  
8 **APPROVAL BY THE COMMISSIONER; AND**

9                   **(3) THE COMMISSIONER HAS APPROVED THE UNDERWRITING**  
10 **STANDARD IN WRITING.**

11           **(B) THE FILING REQUIRED UNDER SUBSECTION (A) OF THIS SECTION**  
12 **SHALL BE MADE AT LEAST 90 DAYS BEFORE THE INSURER PROPOSES TO**  
13 **IMPLEMENT THE UNDERWRITING STANDARD IN THE STATE.**

14           **(C) THE FILING REQUIRED UNDER SUBSECTION (A) OF THIS SECTION**  
15 **SHALL INCLUDE:**

16                   **(1) A MAP OR OTHER DOCUMENT AND A RATING RULE THAT**  
17 **IDENTIFIES THE GEOGRAPHIC AREAS IN WHICH WRITINGS WILL BE**  
18 **RESTRICTED;**

19                   **(2) A COPY OF THE UNDERWRITING STANDARD THAT THE**  
20 **INSURER PROPOSES TO IMPLEMENT;**

21                   **(3) THE DATA RELIED ON BY THE INSURER IN DEVELOPING THE**  
22 **UNDERWRITING STANDARD; AND**

23                   **(4) THE DATE ON WHICH THE INSURER INTENDS TO IMPLEMENT**  
24 **THE UNDERWRITING STANDARD.**

25           **(D) (1) EXCEPT AS PROVIDED IN THIS SECTION, AN UNDERWRITING**  
26 **STANDARD SUBJECT TO THIS SECTION MAY NOT TAKE EFFECT UNTIL ~~120~~ 90**  
27 **DAYS AFTER IT IS FILED WITH THE COMMISSIONER.**

28                   **(2) DURING THE INITIAL ~~120-DAY~~ 90-DAY WAITING PERIOD, THE**  
29 **COMMISSIONER MAY EXTEND THE WAITING PERIOD FOR AN ADDITIONAL**  
30 **PERIOD, NOT TO EXCEED ~~60~~ 30 DAYS, BY WRITTEN NOTICE TO THE INSURER**  
31 **THAT THE COMMISSIONER NEEDS ADDITIONAL TIME FOR CONSIDERATION OF**  
32 **THE FILING.**

1           **(3) IF THE COMMISSIONER REQUIRES ADDITIONAL**  
2 **INFORMATION, THE WAITING PERIOD AND ANY ADDITIONAL PERIOD UNDER**  
3 **THIS SECTION SHALL BE TOLLED AND SHALL BEGIN AGAIN ON THE DATE THE**  
4 **NEEDED INFORMATION IS RECEIVED.**

5           **(4) A FILING IS DEEMED APPROVED UNLESS DISAPPROVED BY**  
6 **THE COMMISSIONER DURING THE WAITING PERIOD OR ANY EXTENSION OF THE**  
7 **WAITING PERIOD.**

8           **(E) IF THE COMMISSIONER FINDS THAT COMPLIANCE WITH**  
9 **SUBSECTION (B) OR (D) OF THIS SECTION WOULD RESULT IN IMPAIRMENT OF**  
10 **THE INSURER OR A SIGNIFICANT FINANCIAL LOSS TO THE INSURER, THE**  
11 **COMMISSIONER MAY ALLOW AN INSURER TO IMPLEMENT ITS UNDERWRITING**  
12 **STANDARD DESIGNATING THE GEOGRAPHIC AREAS IN WHICH IT WILL RESTRICT**  
13 **ITS WRITINGS WITHIN ~~60~~ 30 DAYS AFTER THE FILING OF THE UNDERWRITING**  
14 **STANDARD.**

15           **(F) AN UNDERWRITING STANDARD THAT RESTRICTS WRITINGS IN A**  
16 **CERTAIN GEOGRAPHIC AREA, INCLUDING THE DESIGNATION OF THE AREA AND**  
17 **ITS BOUNDARIES, SHALL:**

18                   **(1) COMPLY WITH § 27-501(A) AND (B) OF THIS ARTICLE;**

19                   **(2) BE DEMONSTRATED OBJECTIVELY;**

20                   **(3) INCLUDE CONSIDERATION OF PAST AND PROSPECTIVE LOSS**  
21 **EXPERIENCE WITHIN AND OUTSIDE THE STATE; AND**

22                   **(4) INCLUDE A CONSIDERATION OF ALL RELEVANT HISTORICAL**  
23 **WEATHER DATA FOR ANY RESTRICTION THAT IS BASED, IN WHOLE OR IN PART,**  
24 **ON A CATASTROPHE MODEL.**

25           **(G) (1) THE INFORMATION FILED UNDER SUBSECTION (C)(1) AND (4)**  
26 **OF THIS SECTION SHALL BE OPEN TO PUBLIC INSPECTION AS SOON AS IT IS**  
27 **FILED.**

28                   **(2) THE INFORMATION FILED UNDER SUBSECTION (C)(2) AND (3)**  
29 **OF THIS SECTION IS SUBJECT TO § 27-501(H) OF THIS ARTICLE.**

30           **(H) (1) THE INSURER BEARS THE BURDEN OF PROOF TO**  
31 **DEMONSTRATE THAT ITS PROPOSED UNDERWRITING STANDARD, INCLUDING**  
32 **ITS GEOGRAPHIC DESIGNATION, MEETS THE REQUIREMENTS OF THIS SECTION.**

1           **(2) UNLESS THE INSURER DEMONSTRATES THAT ITS PROPOSED**  
2 **UNDERWRITING STANDARD, INCLUDING ITS GEOGRAPHIC DESIGNATION, MEETS**  
3 **THE REQUIREMENTS OF THIS SECTION, THE COMMISSIONER MAY DISAPPROVE**  
4 **THE FILING AND PROHIBIT THE INSURER FROM IMPLEMENTING THE**  
5 **UNDERWRITING STANDARD.**

6           **(3) IF, DURING THE WAITING PERIOD OR ANY EXTENSION OF THE**  
7 **WAITING PERIOD, THE COMMISSIONER FINDS THAT AN INSURER’S FILING DOES**  
8 **NOT MEET THE REQUIREMENTS OF THIS SECTION, THE COMMISSIONER SHALL**  
9 **SEND WRITTEN NOTICE OF DISAPPROVAL TO THE INSURER.**

10           **(1) IF, AFTER AN UNDERWRITING STANDARD SUBJECT TO THIS**  
11 **SECTION HAS BEEN APPROVED OR OTHERWISE HAS BECOME EFFECTIVE, THE**  
12 **COMMISSIONER HAS REASON TO BELIEVE THAT THE UNDERWRITING STANDARD**  
13 **NO LONGER MEETS THE CRITERIA SET FORTH IN SUBSECTION (F) OF THIS**  
14 **SECTION, THE COMMISSIONER MAY ORDER THE INSURER TO JUSTIFY THE**  
15 **STANDARD.**

16           **(2) THE COMMISSIONER SHALL HOLD A HEARING BEFORE**  
17 **ISSUING AN ORDER REVOKING APPROVAL OF THE INSURER’S UNDERWRITING**  
18 **STANDARD.**

19           **(3) THE COMMISSIONER SHALL GIVE WRITTEN NOTICE OF THE**  
20 **HEARING TO THE INSURER AT LEAST 10 DAYS BEFORE THE HEARING.**

21           **(4) THE NOTICE SHALL SPECIFY THE MATTERS TO BE**  
22 **CONSIDERED AT THE HEARING.**

23           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
24 October 1, 2012.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.